

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' PLAN 2 RETIREMENT BOARD

\$150,000 Death Benefit Inflation Adjustment Initial Consideration

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1. Issue

Currently, the \$150,000 lump-sum death benefit is a fixed amount. This report looks at the policy issues and costs related to adding an inflation factor to this benefit.

2. Staff

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3. Members Impacted

Any member who dies in the line of duty could potentially be impacted. According to the Office of the State Actuary, as of September 30, 2004 there were 14,754 active LEOFF Plan 2 members and 432 retirees.

4. Current Situation

The beneficiaries of members who die in the line of duty, either as a result of an injury or occupational illness, are entitled to a \$150,000 lump-sum payment. The amount is fixed and has been the same since the introduction of the lump-sum death benefit payment in 1996.

5. Background Information and Policy Issues

The Legislature passed an amendment to the \$150,000 Death Benefit during the 2006 session. The original bill included two amendments to existing statutes. The first added death due to an occupational illness as a qualified reason to receive the \$150,000 lump-sum death benefit. The second amendment added an annual inflation adjustment to increase the one-time \$150,000 amount over time. The proposed inflation adjustment was to be the same as the one members receive on their pensions.

The proposed inflation adjustment was removed from the version of the bill that was signed into law. Because all of the other plans also have the same \$150,000 lump-sum death benefit, the Legislature wanted to understand how the other plans would be affected before they set a precedent with LEOFF Plan 2.

During the original cost analysis performed by the Office of the State Actuary, the addition of the inflation adjustment did not create an increase in contribution rates. The Select Committee on Pension Policy (SCPP) has committed to work in coordination with the LEOFF 2 Board to study this matter during the 2006 Interim.

Of the eight states that provide a lump-sum death benefit of \$100,000 or more, three have an inflation adjustment. In addition to state provided lump-sum death benefits, the Public Safety Officers' Benefits (PSOB) Act, a federal death benefit, was enacted in 1976 to assist in the recruitment and retention of law enforcement officers and fire fighters by providing a lump-sum death benefit. This benefit has had an inflation adjustment since October 15, 1988. The benefit has been adjusted each year on October 1 to reflect the percentage of change in the Consumer Price Index. As of October 1, 2005, the amount is \$283,325